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SIPDIS

SENSITIVE

DEPT FOR SENIOR ADVISOR TO THE A/S FOR POL-MIL AFFAIRS
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SUBJECT: ITALY: 2004 REPORT TO CONGRESS ON ALLIED
BURDENSARING CONTRIBUTION TO THE COMMON DEFENSE

REF: STATE 305999

[1](#)1. (U) The following is Rome's contribution to the 2004 burdensharing report to Congress. For the purpose of this cable, US. dollar amounts are calculated at the exchange rate of USD 1 = Euro .90 except when noted. Embassy point of contact for this report is Pol-Mil Officer Susanne Rose, tel: (39) 06-4674-2831, e-mail RoseSC@state.gov.

POLITICAL SITUATION

[1](#)2. (U) PM Berlusconi and his center-right coalition remain in control of the Parliament. Despite continued criticism from the center-left opposition, this coalition is likely to endure through its full term into the spring of 2006 (the first post-war government to do so). Even with some friction between coalition parties, the center-right government is expected to survive with just a possible reshuffling of some government ministers in January. Its majority in Parliament is sufficient to ensure that it can win votes not only on controversial domestic issues but also on foreign policy issues of concern to the US, such as the fight against terrorism and support in Iraq. The PM remains publicly supportive of US policy, most notably in the way he embraced military action in Iraq, despite strong opposition in public opinion, some elements of Parliament and EU partners such as France and Germany.

ECONOMIC SITUATION

[1](#)3. (U) Italy has the world's sixth largest economy with a 2002 GDP of about Euro 1.26 trillion (USD 1.33 trillion). (Note: Official average exchange rate for 2002 is used 1\$=E0.946). The Government estimates GDP growth at 0.5 percent in 2003 and 1.5 percent in 2004. This year, lower than expected GDP growth and lower than expected tax revenues will result in a deficit/GDP ratio above the 2.5 percent target and close to the three percent ceiling of the EU Stability and Growth Pact. The level of public debt, second highest among EMU countries as a share of GDP, is expected to approximate 106 percent for 2003 and to fall below 100 percent only by the end of 2007. The GOI plans to reduce the debt level gradually to the EMU target level of 60 percent of GDP by 2016.

[1](#)4. (U) The GOI presented its 2004 budget to Parliament on October 2. Parliament must pass the budget by December 31. The 2004 budget totals Euro 634.5 billion (USD 705 billion), or 46.9 percent of GDP, down from 48.1 percent in 2003. The budget includes revenue increases of Euro 12 billion (USD 13.3 billion), spending cuts of Euro four billion (USD 4.4 billion), and a modest stimulus package of Euro five billion (USD 5.5 billion). As drafted, two-thirds of the budget bill will be based on one-time revenue-raising measures and one-third on structural economic reforms. To make funds available for the Euro five billion (USD 5.5 billion) stimulus package and to take into account the less favorable economic growth outlook, the GOI estimates the 2004 deficit/GDP ratio will be 2.2 percent.

[1](#)5. (U) Elements of the budget package have been presented as a "decree law" to accelerate implementation. The decree-law accompanying the budget was approved on November 19. In general terms, the 2004 budget is an attempt to stimulate a sluggish economy and keep the deficit under control.

DEFENSE POLICY/DEFENSE SPENDING

[1](#)6. (U) The total MOD funding request for FY 2004 is Euro 19.6 billion (USD 21.8 billion), up 1.9 percent (or Euro 357 million, USD 397 million) from the MOD request for FY 2003. This 1.9 percent increase, however, approximates zero growth in real terms, assuming a two percent inflation rate in 2004. For 2004, MOD appropriations equal 1.45 percent of the GDP, compared to 1.48 percent in 2003. Under the draft budget, there is a 1.4 percent increase in domestic security spending -- mostly personnel spending for the Carabinieri, and a 2.1

percent increase in "defense function." (Note: The "defense function" includes the budgets of the Army, Navy, and Air Force, but excludes domestic security and other non-essential MOD budget functions. "Defense function" is the largest

sector of the MOD funding. Peacekeeping operations are a separate budget item outside of "defense function". End Note.) "Defense function" accounts for 1.04 percent of GDP, compared to 1.06 percent of GDP in 2003.

17. (SBU) The November 12 terrorist attack on the Italian headquarters in Nassiriya, Iraq, according to a Finance Ministry Under Secretary, is expected to generate support for increased funding for Italian participation in peacekeeping missions beyond the 2004 draft budget figures we present here. Adding funding for Italy's peacekeeping missions (Euro 1.2 billion, USD 1.3 billion) to the 2004 MOD budget, total defense spending for 2004 increases to Euro 20.8 billion (USD 23.1 billion) or 1.54 percent of GDP.

Table 1
Summary of Defense Budget: 2003-2004
(In billions of USD, unless otherwise indicated)

	FY 2003(1)	FY 2004(1)	Chg Pct	Chg Value
1. NATIONAL DEFENSE (as pct of GDP)	15.33 (1.06%)	15.65 (1.04%)	2.1	.32
2. DOMESTIC SECURITY (Carabinieri) (as pct of GDP)	5.05 (0.35%)	5.12 (0.34%)	7.4	.07
3. PENSIONS AND OTHER BENEFITS (as pct of GDP)	1.01 (0.08%)	1.02 (0.08%)	1.0	.01
4. TOTAL MINISTRY OF DEFENSE APPROPRIATIONS (as pct of GDP) (as pct of Gov't budget)	21.39 (1.48%) (3.08%)	21.79 (1.45%) (3.09%)	1.9	.40
ADDENDUM A:				
5. Italy's Participation To peacekeeping Missions (as pct of GDP)	1.37 (0.10%)	1.33 (0.09%)	-0.3	-0.04
6. GRAND TOTAL (as pct of GDP) (as pct of Gov't budget)	22.76 (1.58%) (3.27%)	23.12 (1.54%) (3.29%)	1.6	.36

ADDENDUM B:

GDP (1)	1,445	1,503
Exchange rate	0.90	0.90

(1) Source: Government's 2004 budget proposal (September 2003).

INVESTMENT

18. (U) The "defense function" budget funds 1) normal operating expenses; 2) reform of the armed forces (personnel and operations), and 3) modernization of defense capabilities (investment). Experts consider it essential to appropriate 30 percent of the defense budget for investment. Italy's 2004 defense budget includes only 21.2 percent for investment, compared to the figure of 22.7 percent in the 2003 budget.

19. (SBU) The Defense Ministry highlighted in its supplemental note to Parliament that there has been "significant reduction of resources for investment." For the second year in a row, funds will be cut for the purchase of new aircraft, warships, and other equipment for the Army, Navy and Air Force. The Ministry's note also suggests that there might be a need to

renegotiate commitments with partner countries.

10. (U) Total investment spending for 2004 is Euro 3.2 billion (USD 3.55 billion), down by 4.8 percent from 2003. Of this amount, Euro 365.4 million (USD 406 million) has been allotted for research and development, an increase of 14.3 percent from 2003. Another Euro 2.63 billion (USD 2.92 billion), a decline of 6.6 percent from 2003 levels, is

allocated for defense modernization. Observers consider an optimal annual allotment for defense modernization to be around Euro 4.5 billion (USD five billion). Euro 204.6 million (USD 227.3 million) is earmarked for real estate investment, down 9.7 percent from 2003. The MOD's note on the 2004 budget acknowledges that 2003 allotments will have a negative impact on multi-year investment programs.

11. (U) Air Force investments of Euro 1.19 billion (USD 1.32 billion) account for almost forty percent of overall investment spending. These funds will be allocated for:

a. development of the Eurofighter (the total commitment through 2015 is USD 18.1 billion, of which the commitment for 2004 is Euro 434 million, or USD 482 million);

b. development of the Joint Strike Fighter (the total commitment through 2012 is USD 1.19 billion; the commitment for 2004 is Euro 126 million, or USD 140 million)

c. continuation of the leasing contract for the Tornado (the overall commitment through 2015 is USD 1.2 billion, while the commitment for 2004 is Euro 186.5 million, or USD 207.2 million);

d. purchase of transport airplanes, C130J Lockheed (Euro 157.2 million, or USD 174.7 million) and tanker Boeing 767 (Euro 116 million, or USD 128.9 million); and purchase of helicopters: Nh90 (Euro 259.1 million, or USD 287.9 million) and Eh101 (Euro 56.5 million, or USD 62.8 million).

12. (U) Navy investments (Euro 829 million, or USD 921 million) account for about 28 percent of total investment spending. These funds are designated for:

a. construction of the new aircraft carrier Andrea Doria (the overall commitment through 2008 is USD 1.4 billion, while the commitment for 2004 is Euro 185.9 million, or USD 206.5 million);

b. purchase of two escort frigates of the class Orizzonte (the overall commitment through 2009 is USD 1.5 billion, while the commitment for 2004 is Euro 155 million, or USD 172.2 million); and

c. acquisition of two new generation submarines U212A (total commitment through 2007 is USD 904 million, while the commitment for 2004 is Euro 104.8 million, or USD 116.4 million).

13. (U) Army investments (Euro 769.6 million, or USD 855.1 million) represent another 25 percent of overall appropriations.

Table 1a
Summary of National Defense Budget Appropriations: 2003-2004
(In billions of USD unless otherwise indicated)

	FY 2003(1)	FY 2004(1)	Chg Pct	Chg Value
1. Personnel (as pct of GDP)	7.80 (0.51%)	8.32 (0.53%)	6	.52
2. Operations (as pct of GDP)	3.80 (0.29%)	3.78 (0.28%)	-0.5	-.02
3. Investments (as pct of GDP)	3.73 (0.26%)	3.55 (0.24%)	-4.8	-.18
4. TOTAL NATIONAL DEFENSE APPROPRIATIONS (as pct of GDP) (as pct of Gov't Budget)	15.33 (1.06%) (2.21%)	15.65 (1.04%) (2.22%)	2.1	.32

ADDENDUM:

GDP (1)	1,445	1,503
Gov't Budget	695	705
Exchange rate	0.90	0.90

(1) Source: Government's 2004 Budget Proposal (September 2003).

ARMAMENTS COOPERATION/BILATERAL AND MULTILATERAL ACTIVITIES

14. (U) Italy has demonstrated significant progress in the areas of armaments cooperation and bilateral and multilateral activities. For example, Italy is the third largest contributor to the Joint Strike Fighter Program (after the US and UK) with Level II partnership on the System Design and

Development Phase, for a total investment of \$1.028 billion. Italy is finalizing production requirements, estimated between 150 to 200 aircraft, with a potential to have the largest JSF inventory outside of the US. Expectations are that a Production MOU will be signed in the next year to capture these details. For the Medium Extended Air Defense System (MEADS) program, Italy entered into a cooperative development, along with Germany, to contribute 17 percent of the program. The US, Italy, and Germany are currently negotiating the Design and Development Phase of the program. Additionally, Italy purchased 22 C-130Js in a \$1.7 billion direct commercial sale with expected delivery of 19 in 2003 and the remaining three in 2004, four Boeing 767 Tankers for \$800 million, and 12 C-27Js for tactical transport aircraft. Italy is rapidly becoming an interoperable partner with these acquisitions, and the equipment available to support deployments and allied and multi-national operations.

¶15. (U) Italy is set to be on par with other five-power nations (the US, UK, France, and Germany) by early next year through a RDT&E MOU agreement between the MOD and DOD which, once signed, will open the door for several UAV Project Agreements. Other significant cooperative activities include Italy as a strong advocate of the NATO Airborne Surveillance System (AGS) and the recent signing of the MOD-DOD Declaration of Principles (DoP) document in October 2003. Italy has actively supported various DoP working groups to include security and supply. Italy is extremely interested in cooperating with the US on Missile Defense activities with a possibility to place a radar site in country.

DIRECT COST SHARING

¶16. (U) The Italian government does not rent or lease property to US forces. All fixed structures utilized by the US on Italian military bases are free. Italy provides free utility connections to base perimeters (but the US pays local utility companies for services utilized), free external security for the bases, and no-fee training ranges. Italy does not pay salaries for any US employees on the bases.

INDIRECT COST SHARING

¶17. (U) Italy makes significant contributions for land provided to the US to operate 7 Principal military bases and numerous sites on a cost-free basis. This \$237,434,755 savings in foregone rent to the US includes access to three airbases, two homeports, one large ammunition and equipment staging base, and a homeport that possesses the only maintenance/repair tender ship in the Atlantic. A lack of this capability could cause consequences to US fleet and submarine operations in the Mediterranean. Italy provides security forces and anti-terrorist protection, Carabinieri support for armed personal security protection of US dignitaries, and a robust telecommunications infrastructure carries US military data and voice signals. In addition,

Italy saved the US an additional \$10 million in security costs for perimeter security of installations and escorts of US convoys from Vicenza to Aviano for Operation Iraqi Freedom (OIF).

¶18. (U) Additionally, Italy provides safe lines of communication (airports, sea ports, railways, highways, air routes) to allow high volume of US forces and equipment, three airports with shared civilian/military airfields where US aircraft are based, and a US/NATO munitions storage facility as an invaluable source of munitions for war on terrorism. The Italian Army contributed 16 Centauro wheeled armored vehicles to the US Army, free of charge, for prototype experimentation for the STRIKER, US military access to military training and exercise ranges, and hotel support to deployed forces (Aviano and Sigonella).

¶19. (U) Italy increased the number of Italian armed security forces around military and government agencies, participated in "Product Sharing" activity of Italian military intelligence community, supports the NATO Combined Air Force Operations Center support, provides Italian Coast Guard support (terrorism, etc.) and a defensive shield for over 30,000 US military personnel with Italian Air Force assets. Finally, the US has the unequivocal support of senior Italian military leaders, the MOD and Parliament.

GRANT AID

¶20. (U) In 2002, Euro 2.2 billion (USD 2.3 billion), or 0.2 percent of GDP, was allocated for grant assistance, the second lowest amount for all EU members and OECD members. (Note: When comparing G8 member countries' aid contributions as a percentage of GDP, Italy ranks next to last (the US ranks last). End Note). Most of Italy's assistance is in the form of grants, with a modest portion in loans. According to the MFA, approximately the same amount, Euro two billion (USD 2.2 billion) was appropriated for 2003, equal to .15 percent

of GDP. For 2004, the assistance is even lower: Euro 1.8 billion (or USD two billion), equal to 0.13 percent of GDP.

¶21. (U) This figure includes not only the ODA programs administered by the Ministry of Foreign Affairs (almost a third of the total, bilateral and multilateral assistance), but also those programs managed by Treasury and other ministries. Italy's ODA assistance has not always been this low. In the early nineties, Italy's ODA assistance budget was 0.42 percent of GDP. However, in 1992, in the midst of the lira's exchange rate crisis and in an attempt to get finances in order to prepare for the European Monetary Union, then-Prime Minister Giuliano Amato more than halved Italy's spending to 0.2 percent of GDP. Outlays have hovered close to the 1992 levels since then.

2003 OFFICIAL DEVELOPMENT ASSISTANCE

¶22. (U) The MFA has confirmed that Italy's bilateral and multilateral ODA will be equal to Euro 657 million (USD 731 million) for 2003 (roughly one third of Italy's overall ODA).

In 2002, the MFA disbursed between 90 to 92 percent of available funds. Through October 2003, the MFA has disbursed 80 percent of the funding and expects to disburse all funding by the end of the year. In 2002, sub-Saharan Africa received 57 percent of bilateral assistance funding, while the Middle East/Asia regions received 18 percent of overall MFA bilateral assistance funding; Latin America, another nine percent; while the remaining 16 percent went to Europe (mostly Albania and the Federal Republic of Yugoslavia).

¶23. (U) Italy's ODA in 2003 (Euro 657 million, or USD 730 million) includes funds for debt forgiveness of the twenty Highly Indebted Poor Countries (HIPC). The MFA has already signed an agreement with twelve HIPC countries and is negotiating with eight others.

ITALY'S MULTILATERAL ASSISTANCE

¶24. (U) The largest part of Italian international assistance, roughly two thirds or 65 percent, is directed through multilateral institutions (multilateral development banks,

the United Nations, the European Union, etc.). The Ministries of Foreign Affairs, Treasury, Defense, Interior, Environment, Transport, Productive Activities (Industry), Labor, Justice, Communications, Agriculture, and Health expect to contribute a total of Euro 1.23 billion, or (USD 1.37 billion), to Italy's participation in international organizations in 2004, down 5.6 percent, (Euro 72 million, or USD 80 million), from ¶2003. This is slightly less than 0.1 percent of GDP and about 0.2 percent of the total government budget.

¶25. (U) Italy's multilateral assistance is divided into fixed and flexible portions. Ministry of Treasury-administered contributions to international financial institutions (IMF, IBRD, regional development banks) are fixed. Outlays are not annual, but multi-year. Mandatory contributions to EU assistance budgets comprise roughly one-third of all multilateral Italian assistance expenditures. This is the one part of the Italian assistance budget that is growing, albeit slightly, and likely at the expense of other forms of aid.

ITALY'S ODA TO IRAQ AND AFGHANISTAN

¶26. (U) Italy has allocated for Iraq Euro 15 million (USD 16.7 million) to the UN flash appeal and other multilateral emergency assistance. The MFA Iraq Task Force will disburse another Euro 21.6 million (USD 24 million) on diverse projects. On October 24, at the Madrid Donors Conference, MFA Frattini announced that Italy will contribute an additional Euro 200 million (USD 222.2 million) above 2003 levels to be disbursed over the next three years (2004-2006).

¶27. (U) At the Tokyo Donors Conference, Italy pledged Euro 47 million (USD 52.2 million) for 2002 and 2003. In 2002, Italy exceeded its pledge by giving Euro 65 million. For 2003, Euro 36 million is earmarked.

Table 2
Italy's OFFICIAL BILATERAL DEVELOPMENT ASSISTANCE 2003-2004:
2004 Official Budget)
(In millions of USD unless otherwise indicated)

Chg.	FY	FY	Chg.
Value	2003(1)	2004(1)	Pct
1.MINISTRY OF FOREIGN AFFAIRS	768	640	-16.6%
-128			

Cooperation for Development

Of which:			
--Aid to LDC's			
(Less Developed Countries)	731	686	636
-95			
--Humanitarian	37	4	-87.6
-33			
Assistance			
-- of which:			
Mediterranean			
and Middle East	34	1	-97.1
-33			
2.TOTAL	768	640	-16.6%
128			
(as pct of			
Gov't Budget)	(0.11%)	(0.09%)	

(1) Source: GOI's 2004 proposed budget.

Table 3
Contributions to International
Organizations: 2003-2004: by source 2004 Official Budget)

(In millions of USD, unless otherwise indicated)

	FY 2003	FY 2004	Chg. Pct	Chg. Value
1. FOREIGN AFFAIRS	411	417	1.4	6
2. ECONOMY AND FINANCE	557	529	-5.0	-28
3. DEFENSE	164	142	-13.4	-22
4. EDUCATION	3	3	0	0
5. INTERIOR	9	9	0	0
6. ENVIRONMENT	197	194	-1.3	-3
7. INFRASTRUCTURES	1	1	0	0
8. PRODUCTIVE ACTIVITIES	16	25	55.8	9
9. LABOR	43	0	-100	-43
10. JUSTICE	1	1	0	0
11. COMMUNICATIONS	7	7	0	0
12. HEALTH	35	35	0	0
-- of which:				
International				
Peacekeeping				
Missions				
(SEE NOTE BELOW).	14	14	0	0
13. TOTAL (1)	1.44	1.36	-5.6%	-0.8
(as pct of GDP)	(0.10%)		(0.09%)	
(as pct of total				
Budget)	(0.21%)		(0.19%)	

(1) Billions of USD.

(2) For the medical and health support of Peacekeeping
Mission personnel.

Source: GOI's 2004 proposed budget.

PEACEKEEPING AND HUMANITARIAN OPERATIONS

28. (U) The 2004 Budget will create an ad-hoc Euro 1.2 billion (USD 1.33 billion) fund to pay for the cost of Italian peacekeeping missions (as indicated in Table 1). This will be equal to the cost of Italian peacekeeping missions in 2002 (Albania, Kosovo, Afghanistan and Iraq). Traditionally, Italy's peacekeeping missions were funded in the budget under "unexpected" or "miscellaneous expenses," and Parliament had to authorize each use of this fund. This procedure was reformed in the 2004 Budget with the creation of an ad-hoc fund of Euro 1.2 billion, or USD 1.33 billion. (Note: Italy's participation in international peacekeeping and humanitarian operations cost Euro 1.24 billion (USD 1.38 billion) in FY2003. Of this amount, Euro 734.3 million (USD 815.9 million) funded operations in the Balkans (Bosnia-Herzegovina, Kosovo, Albania), while the remaining Euro 497.5 million (USD 552.7 million) funded miscellaneous anti-terrorist initiatives (including Iraq peace-keeping); and Euro 4.6 million (USD 5.2 million) was disbursed for Ethiopia and Eritrea. End Note.)

CONTRIBUTIONS TO UN OPERATIONS

129. (U) Italy supported various United Nations operations to include 51 personnel and four helicopters (AB 205) to the UN Interim Force in Lebanon (UNFIL), seven observers in Israel and Arab countries for United Nations Truce Supervision Organization (UNTSO), seven observers along the India-Pakistan border for UN Military Observer Group (UNMOGIP), one observer to survey the border between Kuwait and Iraq under UN Iraq-Kuwait Observer Mission (UNIKOM), five observers for the UN Mission for the Referendum in Western Sahara (MINURSO), one officer and 58 civilian police for the

UN Mission in Kosovo (UNMIK) and 52 personnel for the Ethiopia and Eritrea Mission (UNEEM).

CURRENT CONTINGENCY OPERATIONS

130. (U) Significant contributions to OEF and OIF Contingency Operations are noted in paragraph 8D. Italy also has 1500 personnel deployed in Bosnia-Herzegovina, 2900 in Kosovo, 550 in Albania, 98 in Macedonia, 590 in the Balkans under Multinational Specialized Units (MSU's) and Dakovica the Air Port of Debarkation (APOD).

OPERATION IRAQI FREEDOM

131. (U) Italy's substantial support for OIF came from the highest levels of the Prime Minister's Office, the Ministry of Defense (MOD) and Ministry of the Interior (MOI). Political and military personnel provided intense coordination for the protection and security of several hundred military convoys moving material/manpower through staging areas and Aerial Ports of Embarkation. Italy also has made telecommunications circuits available that substantially reduce the requirement for US military equipment and

personnel needed to support the war on terrorism.

132. (U) Under operation "Antica Babilonia," Italy contributed forces that consisted of over 2,700 deployed personnel, representing the third largest deployment of a coalition force behind the US and UK. All four military components were represented. The Italian Army provided a brigade HQ, two infantry regiments, one engineer battalion (including EOD), close support units (including NBC), logistic support units, medical assets, and CIMIC assets. The Italian Navy provided one amphibious ship (S.Giusto), helicopters (SH3D), and two minesweepers. The Italian Air Force provided assets to include an air detachment HQ, helicopters (HH3F) and air transport assets (C130J). Finally, the Carabinieri deployed a MSU regiment, and military police units. (Comment. 12 Carabinieri, in addition to five Army personnel and two civilians, gave the ultimate sacrifice with their lives in a November 12 bomb explosion in Nassiriya that was the first combat loss of life for Italy since World War II. End comment).

INTERNATIONAL SECURITY ASSISTANCE FORCE (ISAF)

133. (U) The Italian contribution to ISAF currently includes 530 units, of which 465 are in Kabul and 65 in Abu Dhabi, in addition to two officers at Allied Command HQ. The Italian contingent consists of a Security Company for ISAF HQ Protection, Engineering Company, including Explosive Ordinance (EOD) Teams, a Nuclear Biological Contamination Platoon, a Logistics Unit, a Signal Company and numerous Air Transportation Assets. The Italian contingent includes army and airforce units and one C-130. The contingent in Abu Dhabi is an interforce group that provide logistical support to the contingent in Afghanistan. These commitments received Euro 67.7 million (USD 75.2 million) in funding for 2003. Italy currently is considering a USG request to lead a PRT in Afghanistan. GOI highlighted the need to accompany antiterrorism initiatives appropriate initiatives aimed to support the reconstruction of Afghanistan.

OPERATION ENDURING FREEDOM

134. (U) Italy played a large role in OEF by providing the TF-150 Frigate ESPERO for "Resolute Behavior" with 250 people patrolling the Gulf of Aden to conduct Maritime Interdiction Operations, control of the Sea Lines of Communication, and the escort of coalition units and related shipping. Under Task Force "Nibbio," Italy also deployed a 1000 person strong Battle Group to Afghanistan as a light infantry combat unit, combat support unit (Mortar, Anti Tank, Engineer, Signal, E.W, T.A, EOD and RBC Teams), and combat service support assets (Logistic and Medical Teams). The Italian Air Force contributed 75 personnel and two C130J aircraft that operated from the Air Base of Manas in Kirghizstan.

PRAGUE CAPABILITIES COMMITMENT

135. (U) Italy is making steady progress on its PCC plan,

despite severe financial constraints worsened by low economic growth. The majority of Italian PCC goals should be accomplished by 2007-2010, including bringing four B767 tanker transports online, expanding NBC forces and equipment, standing up two additional army brigades, launching new naval combatants, increasing precision-guided munitions, improving communications capabilities and acquiring four airborne early warning aircraft, two new generation submarines and several maritime multipurpose helicopters. Italy is already a participant in the MEADS theater missile defense project and a Level II partner in the Joint Strike Fighter program. Italy recently purchased four Unmanned Aerial Vehicles from the US, which are due to arrive in January 2004.

NATO RESPONSE FORCE

136. (U) Italy hosts both a Land and a Maritime NATO High Readiness Force Headquarters that will support the NRF. Italian forces are already participating with other allies in the types of missions the NRF is designed to conduct, including maritime interdictions, embargo operations, humanitarian relief and peace enforcement. Based on lessons learned at the Colorado Springs NATO ministerial, the Italian government hopes to streamline existing political procedures in 2004 to prevent delays in rapid deployment of forces for NRF and related operations.

137. (U) Italy has agreed to stand up the Land Component Command headquarters for the NRF from July to December 2004 and again from July to December 2007. Should there be an NRF mission during either of those periods, Italy would likely provide a substantial portion of the land component forces required. Italy also has agreed to stand up the NRF Maritime Force Command headquarters for one year starting July 2005 and again starting July 2008.

NATO ENLARGEMENT/PARTNERSHIP FOR PEACE

138. (U) Italy continues to be a strong proponent of NATO enlargement and the Partnership for Peace (PfP) program as ways to enhance stability and security in Europe. With a particular focus on the Balkans, Italy has supported the PfP program to expand military and political cooperation and reinforce democratic principles. Italy pushed hard to have Romania and Bulgaria included in the next round of NATO enlargement, and continues to work with Macedonia and Albania to bring their political and military institutions up to NATO standards. Prime Minister Silvio Berlusconi has gone so far as to encourage Russia to join NATO, and was a key player in formalizing the NATO-Russia Council format for greater collaboration in areas of mutual concern to Russia and the alliance.

COUNTERPROLIFERATION CONTRIBUTIONS

139. (U) Italy has long been a major contributor to nonproliferation and threat reduction efforts, including allocating Euro 1 billion for the Global Partnership program.

It has promoted the Nuclear Cities Initiative to retrain Soviet scientists and rehabilitate "closed" cities, and has participated in a number of plutonium disposition programs. At a summit in November 2003, Italy and Russia finalized an agreement on a chemical weapons detoxification facility at Pochep, using Euro 300 million of Italy's Global Partnership pledge. Italy committed another Euro 360 million to be used by the Russian Navy over ten years to decommission nuclear multi-purpose submarines and store unloaded fuel and radioactive materials. The Italian government currently is considering a USG proposal to fund the accelerated shut down of a Russian plutonium producing reactor.

140. (U) Italy is a core participant in the Proliferation Security Initiative (PSI) to interdict shipments of WMD and their means of delivery and will host a PSI air exercise in early 2004. As EU Council President from July to December 2003, Italy spearheaded the implementation of the EU nonproliferation action plan adopted in July 2003 and established a new action plan that stresses the importance of

cooperation with the US as a basic principle of EU nonproliferation efforts. Italy pressed the EU to produce a stronger EU response to Iran's nuclear weapons program and to bolster IAEA credibility and access to Iranian sites.

SEMBLER

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